

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

April 13, 2006

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

PSF No.:05OD-256

OAHU

Sale of Lease(s) at Public Auction for Industrial Purposes,
Waikele, Ewa, Oahu, Tax Map Keys: (1) 9-4-166:1, 2, 3, 24,
25, and 26

REQUEST:

Sale of lease(s) at public auction for industrial purposes

LEGAL REFERENCE:

Sections 171-6,14,16,17,41 and other applicable sections of
Chapter 171, Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands situated at Waikele, Ewa, Oahu,
identified by Tax Map Keys: (1) 9-4-166:1, 2, 3, 24, 25, and 26,
as shown on the attached map labeled Exhibit A.

AREA:

Parcel 1	24,974 square feet, more or less.
Parcel 2	16,480 square feet, more or less.
Parcel 3	21,935 square feet, more or less.
Parcel 24	17,057 square feet, more or less.
Parcel 25	16,679 square feet, more or less.
Parcel 26	16,000 square feet, more or less.

ZONING:

State Land Use District: Urban
City & County of Honolulu LUO: I-1, Limited Industrial

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State
Constitution: YES _____ NO X

CURRENT USE STATUS:

Vacant and unencumbered.

CHARACTER OF USE:

Light industrial uses as permitted by State and County land use ordinances.

LEASE TERM:

Sixty-five (65) years

COMMENCEMENT DATE:

The date of sale if the current occupant is the successful bidder, otherwise, sixty (60) days after the date of sale; provided that if such date is not on the first day of any month, the commencement date shall be the first day of the month following such date; and further provided that the Chairperson may amend the commencement date for good cause.

MINIMUM UPSET ANNUAL RENT:

To be determined by staff or independent appraisal establishing fair market rent, subject to review and approval by the Chairperson.

FIXED INCREASES:

At the 5th, 10th, 15th, 20th and 25th years of the lease term, to be determined by staff or independent appraisal, subject to review and approval by the Chairperson.

METHOD OF PAYMENT:

Semi-annual payments, in advance.

RENTAL REOPENINGS:

At the 30th, 40th, 50th and 60th years of the lease term, by staff or independent appraisal.

PERFORMANCE BOND:

Twice the annual rental amount.

MINIMUM IMPROVEMENTS:

Within three (3) years from the commencement date of the lease, the Lessee shall have completed construction of improvements having a value not less than \$1,000,000. Said improvements shall

be in accordance with plans approved by Mill Town Center Business and Industrial Park Design Review Committee as required by Declaration of Covenants, Conditions and Restrictions for Mill Town Center Business and Industrial Park and submitted to the Chairperson for approval prior to their construction.

Note: this is based on a per lot basis. Therefore, if the lease covers 3 lots, the minimum improvement requirement would be \$3,000,000. Or if the lease covers 6 lots, the minimum improvement requirement would be \$6,000,000.

IMPROVEMENT BOND:

Amount of improvements.

PROPERTY CHARACTERISTICS:

Utilities - Utilities to all parcels are available as provided by Mill Town Center Business and Industrial Park

Existing Improvements - All sites are vacant.

Legal access to property - Staff has verified that legal access to the property is from Akoki Street (Parcels 24, 25 & 26) and Maikoiko Street (Parcels 1, 2 & 3).

Subdivision - Staff has verified that the subject properties to be auctioned are legally subdivided lots.

Encumbrances - Staff has verified that the following encumbrances exist on the property:

Parcel 1	As shown on File Plan 2317	1. Easement 1 (10-ft. wide) for maintenance and utility purposes; 2. Easement 2 (10-ft. wide) for landscape buffer purposes; 3. Easement 9 (10-ft. wide) for landscape buffer purposes; 4. Easement 10 (20-ft. wide) for landscape buffer purposes; 5. Easement 11 (5-ft. wide) for ditch, wall and flowage purposes; 6. Easement G (20-ft. wide) for water pipeline purposes; 7. Restriction of vehicular access rights.
Parcel 2	As shown on File Plan 2317	1. Easement 9 (10-ft. wide) for landscape buffer purposes; 2. Easement 10 (20-ft. wide) for

		landscape buffer purposes; 3. Easement 11 (5-ft. wide) for ditch, wall and flowage purposes.
Parcel 3	As shown on File Plan 2317	1. Easement 9 (10-ft. wide) for landscape buffer purposes; 2. Easement 10 (20-ft. wide) for landscape buffer purposes; 3. Easement 11 (5-ft. wide) for ditch, wall and flowage purposes.
Parcel 24	As shown on File Plan 2317	1. Easement 8 (20-ft. wide) for landscape buffer purposes; 2. Easement 9 (10-ft. wide) for landscape buffer purposes; 3. Restriction of vehicular access rights.
Parcel 25	As shown on File Plan 2317	1. Easement 8 (20-ft. wide) for landscape buffer purposes; 2. Easement 9 (10-ft. wide) for landscape buffer purposes; 3. Restriction of vehicular access rights.
Parcel 26	As shown on File Plan 2317	1. Easement 8 (20-ft. wide) for landscape buffer purposes; 2. Easement 9 (10-ft. wide) for landscape buffer purposes; 3. Restriction of vehicular access rights.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

The Final Environmental Assessment for the subject project was published in the OEQC's Environmental Notice on June 8, 1994 with a finding of no significant impact (FONSI).

REMARKS:

In 2004 the State of Hawaii executed two land exchanges resulting in the acquisition of six lots (subject lots) located in the Mill Town Center Business and Industrial Park (Mill Town) in Waikale, Ewa, Oahu. Whereas, the public purpose for these exchanges were for the acquisition of income-producing properties that the Department can lease out for the purposes of generating revenues for public trust purposes, staff is requesting Land Board approval for the lease(s) for a public auction to be held sometime in 2006.

Market analysts report shortages of available industrial spaces on Oahu. In its Industrial market Report, Honolulu Mid-year 2005, Colliers Monroe Friedlander reported "The number of available listing fell from a historic low of 66 for year-end

2004 to a severe shortage situation of 52 listing for mid-year 2005. For the entire island, there were only 28 available industrial listing for tenants that have space requirements under 4,000 square feet."

As a result of the limited supply of vacant land available in the Iwilei, Kalihi, and Sand Island industrial areas, Colliers Monroe and Friedlander reported most significant land price increases over the past three (3) years have occurred in the Kapolei. The high market demand for industrial land is also reflected in Mill Town where only two remaining fee simple lots are available. However, it has been reported that demand for these two remaining lots are deterred due to undesirable physical characteristics. Mill Town is currently over 50% built-up with industrial improvements with ancillary office spaces, which complies with the County of Honolulu's I-1, Light Industrial zoning of the entire Mill Town subdivision. The Mill Town Association reports an additional seven lots under construction or in some stage of the plan approval process.

Based on the foregoing it is concluded that the highest and best use of these six (6) lots is for light industrial uses as allowed by the I-1 zoning designation and is consistent with other lots within Mill Town.

Whereas the sale of leases for the subject sites is a fulfillment of the public purpose for which they were acquired, comments were solicited from:

DHHL	No response
City & County of Honolulu, DPP	No objections. New tenant has to comply with conditions in Ordinance No. 96-69
City & County of Honolulu, Environmental Services	No objections
Board of Water Supply	No response
OHA	No objections
LD Project Development	

Staff has received serious inquiries from parties interested in participating in a public auction of lease(s) covering single and multiple lots.

The sale of individual leases for each lot could allow greater opportunity for smaller owner-users to participate there are individuals interested in acquiring multiple lots for development. Therefore, staff is requesting very broad discretion to allow staff to either public auction 6 leases of individual lots or two (2) leases with 3 lots each or one (1)

lease covering all 6 lots.

These predetermined fixed increases will enhance the new tenants ability to finance the required improvements. The minimum improvement requirement for each lot should be at least \$1,000,000. If the new lease covers 3 lots, the minimum improvement requirement would be \$3,000,000. Or if the new lease covers 6 lots, the minimum improvement requirement would be \$6,000,000. Construction cost for warehouses ranges from a low \$175/sf to \$375/sf or greater. The public auction process limits what we believe the new tenant will construct and use the lot(s) for. Review of the City's ordinance will allow 80% of the property to be developed with conditions. We are asking for flexibility from the Land Board to allow staff to set the minimum amount necessary for the improvement requirement.


RECOMMENDATION: That the Board:

1. Find the areas, whether six (6) individual parcels or a combination of multiple parcels, to be an economic unit in terms of the intended use.
2. Find that the subject area is not suitable for hunting, nor will it become so during the term of the lease.
3. Declare that, after considering the potential effects of the proposed disposition as provided by Chapter 343, HRS, and Chapter 11-200, HAR, this project will probably have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment.
4. Authorize the sale of a lease(s) at public auction for industrial purposes, covering either individual parcels or a combination of multiple parcels as may be prescribed by the Chairperson to best serve the interest of the State, under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:
 - a. The standard terms and conditions of the most current industrial general lease form, as may be amended from time to time;
 - b. Review and approval by the Department of the Attorney General; and

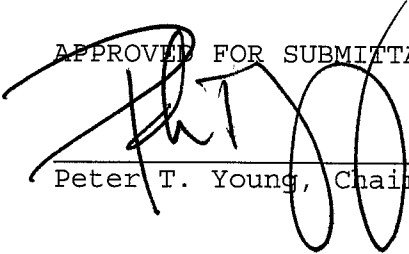
April 13, 2006

- c. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,


Charlene E. Unoki
Assistant Administrator

APPROVED FOR SUBMITTAL:


Peter T. Young, Chairperson

